

Message Text

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SUBJ: MEETING OF GOVERNORS OF AMERICAN CENTRAL BANKS

SUMMARY:

HEMISPHERE-WIDE CONFERENCE CONCENTRATED ON ADJUSTMENT PROBLEMS CREATED BY AOI-PRICE HIKE. OIL IMPORTERS GENERALLY RECOGNIZED NEED TO MAKE REAL ADJUSTMENT, WITH INTERIM FINANCING ARRANGEMENTS PROVIDING BREATHING SPACE BUT NOT A SOLUTION TO PROBLEM. SEPARATE MEETING OF LATIN AMERICAN GOV-

ERNORS APPEARED RECEPTIVE TO HANAMANINA PROPOSAL FOR CREATION OF NEW MECHANISM TO FINANCE LATIN AMERICAN EXPORTS TO REST OF WORLD. TECHNICAL WORKING GROUP WILL STUDY PROPOSAL AND MAKE RECOMMENDATIONS. END SUMMARY

1. GOVERNORS OF CENTRAL BANKS OF WESTERN HEMISPHERE HELD

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ANNUAL MEETING HERE MAY 13-14 WITH PARTICIPATION FROM

VIRTUALLY ALL LATIN AMERICAN AND CARIBBEAN COUNTRIES, CANADA AND U.S. PRINCIPAL TOPIC DISCUSSED WAS RECYCLING OF PETRO-DOLLARS AND ADJUSTMENT PROBLEMS CREATED BY WORLD ENERGY SITUATION.

2. ACCORDING TO FEDERAL RESERVE DELEGATION, DISCUSSION FOCUSED ON PROBLEMS FACING DEVELOPING COUNTRIES NOT EXPORTING OIL. EXPERIENCE OF THESE COUNTRIES AS A GROUP IN 1974, AS WELL AS A FEW INDIVIDUAL COUNTRY CASES, WERE REVIEWED, AND PROSPECTS FOR FUTURE WERE EXAMINED. THE GOVERNORS GENERALLY NOTED THAT THE BOOM IN PRIMARY COMMODITY PRICES IN THE FIRST HALF OF 1974 HELPED TO ALLEVIATE THE SITUATION OF MANY COUNTRIES, BUT THEY EXPRESSED CONCERN ABOUT THE MORE RECENT PRICE SLIDE. SOME, NOTABLY VENEZUELA, SAW THIS AS JUSTIFICATION FOR LINKING OIL AND OTHER PRIMARY COMMODITY PROBLEMS IN SEARCH FOR RESTRUCTURING TRADE.

3. FINANCING PROBLEMS RECEIVED MUCH ATTENTION, WITH BRAZIL COMPLAINING THAT LENDERS SHORTENED MATURITIES OF EURO-CURRENCY LOANS LAST YEAR IN RESPONSE TO INCREASED DEMAND FOR BORROWINGS BY SUCH COUNTRIES AS FRANCE AND UNITED KINGDOM, WHILE OTHERS DOUBTED THAT ANY "CROWDING-OUT" HAD OCCURRED ON INTERNATIONAL SCALE AND ATTRIBUTED SHORTER MATURITIES TO OTHER FACTORS,

INCLUDING UNCERTAINTIES IN EXCHANGE MARKETS AFTER HERSTATT AND FRANKLIN BANK FAILURES.

4. SOME INTEREST SHOWN IN WORK OF INTERNATIONAL INSTITUTIONS TO IMPROVE EXISTING FINANCING FACILITIES AND DEVELOP NEW ONES. ONE PARTICIPANT SUGGESTED ESTABLISHING A LATIN AMERICAN "SAFETY NET", BUT OTHERS EXPRESSED MISGIVINGS ABOUT IDEA.

5. OIL IMPORTING COUNTRY PARTICIPANTS IN GENERAL TOOK REALISTIC VIEW OF THEIR PROBLEM AND RECOGNIZED NEED TO MAKE REAL ADJUSTMENT, WITH FINANCING ARRANGEMENTS PROVIDING BREATHING SPACE BUT NOT A SOLUTION TO THE LIMITED OFFICIAL USE

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PROBLEM. SEVERAL CANDIDLY SAID THAT THEY THOUGHT THE SITUATION WAS SERIOUS AND WARNED AGAINST COMPLACENCY WHICH MIGHT STEM FROM SCALING DOWN OF FORECASTS REGARDING MAGNITUDE OF DISEQUALIBRIUM OVER COMING YEARS. MANY WERE CONCERNED OVER GROWTH OF EXTERNAL DEBT BURDENS AND URGED CLOSER MONITORING AND REASSESSMENT.

6. GOVERNORS OF LATIN AMERICAN AND CARIBBEAN CENTRAL BANKS MEETING SEPARATELY MAY 14-15. HIGHLIGHT OF THAT MEETING WAS SUGGESTION BY PRESIDENT OF PANAMANIAN NATIONAL BANKING COMMISSION (PLANNING MINISTER BARLETTA) TO CREATE NEW MECHANISM TO FINANCE LATIN AMERICAN EXPORTS TO THE REST OF THE WORLD. HE STATED THAT EXISTING MECHANISMS ARE NOT WELL ENOUGH ENDOWED TO HELP THE WIDE RANGE OF POTENTIAL AREA EXPORTS,

AND THAT THEY PROVIDE FINANCING ON TERMS WHICH DO NOT ALLOW AREA TO COMPETE EFFECTIVELY IN WORLD MARKETS. HE PROPOSED THAT STUDY OF ALTERNATIVES TO IMPLEMENT IDEA BE UNDERTAKEN, INCLUDING POSSIBILITY OF SETTING UP INSTITUTION, FINANCED EITHER BY POOLING 2 TO 5 PER-CENT OF COUNTRIES' RESERVES OR BY OTHER MEANS, FOR THE PURPOSE OF PROVIDING A MARKET FOR BANKERS' ACCEPTANCES ORIGINATING IN MEMBER COUNTRIES. SUGGESTION GENERALLY WELL RECEIVED BY MEETING WHICH AGREED TO ASK TECHNICAL WORKING GROUP TO CONDUCT STUDY AND DEVELOP CONCRETE PROPOSAL, DRAWING ON EXTENSIVE WORK ALREADY DONE REGARDING LATIN AMERICAN ACCEPTANCES.

7. OTHER TOPICS BEING DISCUSSED BY LATIN AMERICAN GOVERNORS INCLUDE CENTRAL BANK EXPERIENCE IN DEVELOPMENT OF CAPITAL MARKETS AND IN FOSTERING ECONOMIC ACTIVITY IN REGIONS WHICH ARE RELATIVELY UNDEVELOPED. LATIN AMERICAN IMF EXECUTIVE DIRECTORS ALSO EXPECTED TO REPORT ON PENDING INTERNATIONAL FINANCIAL QUESTIONS.

8. COMMENT: MINISTER BARLETTA HAS EXPRESSED PRIVATELY HIS SATISFACTION WITH RECEPTION OF PANAMANIAN PROPOSAL, AND PARTICULARLY APPARENT SUPPORT GIVEN IDEA BY MEXICAN AND VENEZUELAN DELEGATIONS. HE HOPES, OF LIMITED OFFICIAL USE

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COURSE, THAT SITE FOR ANY INSTITUTION ESTABLISHED PURSUANT TO PROPOSAL WOULD BE PANAMA.
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